

Message Text

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PAGE 01 MOSCOW 18270 221823Z

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C O N F I D E N T I A L MOSCOW 18270

USDOC FOR BEWT/DOWNEY

E.O. 11652: GDS

TAGS: ETRD, EEWT, UR, US

SUBJ: GVISHIANI PREDICTS EARLY SOVIET ACTION ON GUIDELINES FOR JOINT VENTURES

1. SUMMARY. STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY DEPUTY CHAIRMAN G.M. GVISHIANI ADVISED DEPUTY ASSISTANT SECRETARY DOWNEY AND COMMATT DECEMBER 19 THAT THE EXPECTED ACTION SHORTLY ON GUIDELINES FOR JOINT VENTURES BETWEEN USSR AND WESTERN FIRMS. JUDGING FROM GVISHIANI'S COMMENTS, SOVIETS SEE THEIR VERSION OF "JOINT VENTURES" AS MECHANISM FOR DEVELOPING LONG-TERM RELATIONSHIPS WITH WESTERN FIRMS. AS DESCRIBED BY GVISHIANI, GUIDELINES SEEM LIKELY TO BE RELATIVELY RESTRICTIVE AND MAY NOT OFFER SUFFICIENT INDUCEMENT TO WESTERN FIRMS. END SUMMARY.

2. GVISHIANI LED INTO DISCUSSION OF GUIDELINESS FOR JOINT VENTURES WITH DESCRIPTION OF PREVIOUS SOVIET PROBLEMS IN DEVELOPING LONG-TERM RELATIONSHIPS WITH WESTERN FIRMS. HE DREW PARTICULAR ATTENTION TO CASE OF FIAT, WHICH, ACCORDING TO GVISHIANA HAS RESISTED SOVIET EFFORTS TO ESTABLISH LONG-TERM RELATIONSHIP BASED ON TOGLIATTI PLANT. IN RESPONSE TO FIAT CASE AND OTHER PROBLEMS, GVISHIANI SAID SOVIETS HAD DECIDED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 18270 221823Z

THAT SOME NEW FRAMEWORK AND LONG-TERM COOPERATION WAS REQUIRED. HE

SAID THAT GUIDELINES FOR JOINT VENTURES HAD NOW BEEN APPROVED BY "THE GOVERNMENT" AND WOULD BE ISSUED SHORTLY.

3. AS DESCRIBED BY GVISHIANI, GUIDELINES WILL;

- A) RULE OUT ANY EQUITY OWNERSHIP BY FOREIGN PARTNER. HE SAID USSR WAS NOT PREPARING FOR RETURN TO "CONCESSIONS" PERIOD;
- B) PROVIDE FOR GUARANTEE BY GOSBANK OF INVESTMENT BY WESTERN PARTNER;
- C) ALLOW FOR "PARTICIPATION", PARTICULARLY AS RELATES TO QUALITY CONTROLS, BY REPRESENTATIVES OF WESTERN PARTNER IN MANAGEMENT OF SOVIET ENTERPRISE(S) INVOLVED IN JOINT VENTURE;
- D) ESTABLISH SPECIAL "FOREIGN TRADE" CONDITIONS COVERING IMPORTS AND EXPORTS CONNECTED WITH JOINT VENTURE. THESE CONDITIONS WILL, GVISHIANI SAID, BE DESIGNED TO OVERCOME PROBLEMS POSED BY NON-CONVERTIBILITY OF SOVIET RUBLE.

4. IN DISCUSSING GUIDELINES, GVISHIANI SUGGESTED THAT PROVISIONS MIGHT BE INCLUDED WHICH WOULD AMOUNT TO "JOINT OWNERSHIP OF THE PRODUCT OF THE ENTERPRISE IN QUESTION." THIS COULD, HE SAID, SERVE TO OVERCOME PROBLEM POSED FOR WESTERN PARTNER BY SOVIET REFUSAL TO ALLOW ANY FOREIGN OWNERSHIP OF PRODUCTION FACILITIES.

5. GVISHIANI IMPLIED THAT GUIDELINES, AT LEAST INITIALLY, WOULD HAVE A PROVISIONAL CHARACTER. WHAT WAS NEEDED, HE SAID, WAS EXPERIENCE IN ACTUAL JOINT VENTURES WITH WESTERN COMPANIES. ON BASIS OF THIS EXPERIENCE, SOVIETS COULD PRESUMABLY REFINES GUIDELINES TO ELIMINATE PROBLEMS WHICH AROSE ALONG THE WAY. HE MENTIONED IN THIS CONNECTION THAT ONE OR TWO SUCCESSFUL EXPERIEMENTS WOULD SERVE TO OVERCOME OPPOSITION OF "DOUBTERS," WHO HE ADMITTED ARE PRESENT IN USSR AS WELL AS IN WEST.

6. COMMENT: ADDITIONAL SOVIET THINKING ON JOINT VENTURE QUESTION WAS PRESENTED AT DECEMBER 8-11 SYMPOSIUM ON US-SOVIET TECHNOLOGICAL COOPERATION HELD AT US-USSR TRADE AND ECONOMIC COUNCIL. COPY OF PAPER PRESENTED AT THAT MEETING BY DEPUTY MINISTER OF FOREIGN TRADE V. N. SUSHKOV, WHICH APPEARS CONSISTENT WITH VIEWS EXPRESSED BY GVISHIANI, HAS BEEN FURNISHED TO EUR/SOV (EDGER).

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CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MOSCOW 18270 221823Z

CONFIDENTIAL

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